

which were adopted to obviate this serious difficulty, a digression is inevitable in illustration and explanation of this factor of commercial mechanism. Why, then, did the foreign exchanges collapse in so grave and universal a manner? What caused this dearth abroad of bills upon London, which might be purchased in foreign markets and used in the settlement of obligations due to England? And how was it possible that the essential function of "accepting" firms in the promotion of our Import business could be placed in this jeopardy? As relevant to our purpose, consider the Imports into England from America. The American exporter thus possesses a claim upon England for the price of the goods he has despatched, and draws a bill of exchange upon the English importer for the amount. This bill he sells to his American banker, and thus obtains the settlement of his account in dollars, and acquires immediate funds for prosecution of his business continuously. The banker then sells the bill in New York to those merchants who, having imported from England, desire to discharge, by means of such bills, their debts to English traders for the commodities which the former have received. If American exporters happen to have sold goods of greater value to England, their claims for cash upon London (in the form of the bills of exchange which they draw) will generally prove to be in excess of the demand in New York for bills in settlement of American imports. In this condition of reciprocal indebtedness between the two countries, the price of a British sovereign as expressed in American dollars will fall (*i. e.* fewer dollars will suffice to purchase £1 in London) and the exchange is then said to "move" or "turn" *against* London. If, on the contrary, America is required to pay extensive sums to England for interest upon (say) American bonds and stocks, bills on London are competed for in New York; their price per £1 in dollars advances (*i. e.* a greater number of dollars is necessary to provide the placing of each sovereign in London) and the exchange "moves" in *favour* of England. This explanation will be useful at a later

stage. As we have already seen, all the exchanges were in favour of England except only the Paris exchange: that turned adverse to London because French